

TOURISM VICTORIA

Marketing our favourite destination



*Reaching
New Heights*

**TOURISM VICTORIA
2015 ANNUAL REPORT**

Table of Contents



- Message from the Chair2
- Message from the President and CEO3
- Our Mission and Vision4
- Driving Business Forward5
- Giving Back to the Community6
- Corporate and Destination Awards7
- Key Functional Area Highlights**
- Destination Marketing8
- Social Media and Content Marketing9
- Media Relations10
- Travel Trade11
- Business Events Victoria12
- Visitor Services13
- Member Services14
- Corporate Communication and Public Affairs15
- Leveraging and Partnerships16
- Business Discussion and Analysis17
- Risk Management18
- Balanced Scorecard19
- Finance and Corporate Services20
- Audited Financial Statements21
- Management Financial Analysis35
- 2015 Board of Directors37

Message from the Chair



It is hard to believe we ended 2012 with an annual hotel room occupancy rate of 62.5 per cent. Only a few short years later, we had a rate of 70.1 per cent at the end of 2015 — and we are only beginning to reach our true potential.

Western North America is widely viewed as a vibrant, interesting, experiential, high quality and safe destination to enjoy a vacation or gather together. As global demand for travel grows, our region is seeing significant growth.

There are more visitors arriving at Vancouver International and Seattle-Tacoma and, as a result, Victoria International Airport is also seeing growth. A new Delta flight from Victoria to Seattle seamlessly connects passengers using the world's largest airline with Sea-Tac, Delta's new hub for flights to Asia and its vast American network.

We have seen improvements to connectivity and customer experience, such as the first phase of work on the Belleville Terminal project and the new Harbour Air terminal. We also have two passenger ferry companies working on connecting Victoria's downtown Harbour to Vancouver.

Driven by strong demand over the past year, we have seen significant new investments in our accommodation sector. Starting last year, when the Delta Ocean Pointe Resort & Spa completed its major renovations and improvements, we have seen tens of millions of dollars invested in improvements and renovations at The Fairmont Empress, Hotel Grand Pacific, Victoria Regent Waterfront Hotel & Suites and others. The Magnolia Hotel & Spa, the hotel I manage, also invested significantly in our product this winter.

As chair of the board of directors, I am particularly pleased to see ongoing positive media and political attention paid to our industry. Tourism is clearly being recognized as a growing sector that is delivering good jobs, tax revenue, investment and amenities to our region.

We are keenly aware our sector does well when the Greater Victoria economy is doing well, and when government is driving societal improvement. We also know tourism as an industry contributes \$2 billion, as well as more than 22,000 private-sector jobs, to the region. Tourism Victoria is a constructive and collaborative organization.

A prime example of this was our mission to Ottawa in December. Tourism Victoria joined ferry operators and the Greater Victoria Harbour Authority to lead a delegation to our nation's capital to brief the newly elected federal government on the opportunity for an infrastructure investment in the international terminal on Belleville Street.

Tourism Victoria is delighted to be working with the Province of British Columbia, the City of Victoria and the local accommodation sector on renewal of our funding model. This will provide a long-term planning horizon and competitive resourcing. It will also create efficiencies for our program to attract meetings and conferences. We will work diligently in 2016 to complete our agreement.

Looking ahead, our board will continue to practice good governance. We are looking to improve our practices and represent industry and our funding partners, while not shying away from big challenges in order to build a foundation of stability, growth and diversification for years to come.

A handwritten signature in black ink, appearing to be 'Bill Lewis'. The signature is stylized and cursive, written on a white background.

Bill Lewis
Chair, Board of Directors

Message from the President and CEO

In 2015, the tourism industry in Greater Victoria experienced record-setting achievement, while our organization continued to grow and modernize. Tourism Victoria was able to deliver strong results directly attributable to our annual business plan and our strategic plan for 2015-2017.

Achievement for Industry

Aside from our record occupancy levels, PKF consulting (a North American leader in hotel data collection and valuation) identified Greater Victoria as the third-fastest-growing region in Canada, in terms of improved occupancy, behind only Vancouver and the Canadian Rockies. Record years were posted by the Victoria International Airport, B.C. Ferries and the Victoria Conference Centre.

Continued Change and Modernization

Internally, 2015 was the first year the Balanced Scorecard performance management framework was introduced to Tourism Victoria's staff. This provided our organization with clear performance measures allowing staff to focus their time and energy to achieve the desired outcomes.

Tourism Victoria continued its renewal of key areas of our organization. We had notable improvements, including a 19 per cent increase in confirmed room night business from our reinvigorated Business Events Victoria team.

Ongoing modernization of our sales and marketing approaches will continue in 2016 as needed.

Strong Attributable Results Against Business Plan

Some of the key business highlights in 2015 included:

- Building on what we learned from our 2014 marketing campaign, Tourism Victoria's signature spring campaign, *Victoria Beyond Words*, performed exceptionally well, delivering an estimated 78:1 ROI and converting 12,788 travellers from our important Seattle Source Market. This ROI result is three times the industry average
- Editorial placements in travel and lifestyle media increased from 311 in 2014, to 350 in 2015, including high-profile placements in the *New York Times* and *Washington Post*
- In Visitor Services, sales of member product has doubled in two years to more than \$1.55 million
- Our member satisfaction rate reached a record high of 97 per cent
- Key improvements were implemented in our financial management in 2015, including robust cash-flow analysis, a clear strategy and target around Tourism Victoria's restricted reserve fund and an approach to prudently carry over surplus funds in order to tackle important projects with due care and attention, as opposed to spending simply because money was available.

I am proud to lead a team of skilled professionals who are dedicated to our cause and executing our strategy. With the benefit of structural tailwinds, our team delivered strong, attributable results for industry in 2015. However, we are just getting started. The hard work continues as we strive to rigorously execute our business plan and enhance Greater Victoria's place as a world-class destination.

Onward and upward,



Paul Nursey
President and CEO



Our Mission and Vision

Our Mission

We inspire the world to experience our destination.

Our Vision

Tourism Victoria will be internationally recognized as a leader in sustainable tourism development, ensuring Greater Victoria remains one of the top destinations in the world.

Brand Promise

Victoria is where old-world tradition meets new-world experiences. Our guests are rejuvenated by fresh ocean air and are inspired by our warm, island welcome and year-round, natural beauty.

Brand Definition: Full of Life

Few places on earth are as full of life — on every level — as Victoria. From wildlife to plant life, to arts and cultural life, our fair city offers a complete experience that is rejuvenating, fun filled and inspiring.

Full of life is exactly what and who we are. This moves the needle forward for Victoria and puts to rest, once and for all, the tired old definitions of us. Full of life personifies Victoria in a positive and true fashion.

Brand Portfolio

The Greater Victoria Brand Portfolio is a marketing tool developed in 2013 to help simplify and explain our diverse offering to ourselves so we can, in turn, effectively communicate to our potential visitors. Showing potential visitors a consolidated destination with a wide variety of diverse experiences that are easy to categorize and understand allows us to be more competitive while maximizing economic impact throughout our region.



Driving Business Forward

Driving Business Forward in a Complex Stakeholder Environment

Tourism Victoria, like most DMOs, operates in a complex stakeholder environment. Tourism Victoria is enabled by both a public-sector policy framework and substantial private-sector financial contributions. Stakeholders see the value in working together to market the Greater Victoria region as a tourism destination under a common and unified brand proposition: *Victoria Full of Life*. While different stakeholders may have slightly different priorities for the organization, Tourism Victoria overcomes this by focusing on clear strategy that benefits all, as well as executing the strategy in a disciplined manner. Naturally, Tourism Victoria's primary strategic objective is to increase tourism revenues, which is most easily measured by increased accommodation occupancy, RevPAR and Average Daily Room Rate. A city full of paying visitors and brimming with activity is a great objective to focus strategic energy.

Focus on Alignment



In the past year, one of the more exciting developments within the destination marketing arena has been an increased focus on alignment and delivering efficiencies through the destination marketing value chain. From the highest level, Destination Canada (DC) is working in closer alignment with provincial and territorial partners. Tourism Victoria is committed to supporting DBC's common sense approach to selecting source markets and its revitalized strategy. While operationalization alignment is hard work and will take some time, it is great to see increased alignment through the destination marketing system. Within the Greater Victoria region, we are also seeing greater alignment and partnership. On top of the Victoria Conference Optimization Network (VCON) that will be discussed in detail in this report, Tourism Victoria is working more closely with Attractions Victoria, the Greater Victoria Harbour Authority, Victoria International Airport and the Greater Victoria Chamber of Commerce, including the Greater Victoria Development Agency in order to leverage areas of strength and expertise along with our respective resources to advance files and programs more effectively than by doing so on our own. Those who provide governance and oversight to these organizations would expect nothing less. Tourism Victoria is pleased to be a constructive partner working to advance our common goals.

The following is a summary of how Tourism Victoria's key functional areas delivered on our strategy in 2015.

Giving Back to the Community

Tourism Victoria Staff Initiatives

Tourism Victoria staff support our community by participating in a wide variety of charitable and social programs:

- Jeans Day (BC Children's Hospital)
- Bike to Work Week
- B.C. Hospitality Foundation
- Big Bike (Heart & Stroke Foundation)
- Bear Wear

We have participated in the Heart & Stroke Foundation's Big Bike for the last three years. Our staff helped create a team that rode a bicycle built for 30. Each rider committed to raising \$50 or more to support heart disease and stroke research.

Tourism Victoria employees also take part in the annual Greater Victoria Bike to Work Week. Our team was one of 2,100 in B.C. to participate in 2015, helping reduce emissions of greenhouse gases for the week of May 25-29 by an estimated 306,000 kilograms.

In November, our staff collaborated with a beloved holiday tradition in the city. The 15th annual Bear Wear event featured a festive display of cuddly teddy bears dressed up in fabulous costumes. Since 2001, Bear Wear has raised \$435,000 for the Children's Health Foundation of Vancouver Island.

Official Charity

In 2015, Tourism Victoria continued its role as an official partner of the B.C. Hospitality Foundation (BCHF). The partnership gave BCHF access to various marketing channels and enabled Tourism Victoria to work with BCHF on innovative ways to enhance its profile within the hospitality industry. We are excited to support an organization so deeply involved in our industry and happy to promote their efforts while spreading the word about the important work they do. The BCHF helps people in the hospitality community who are coping with financial crises arising from health or medical conditions.

Tourism is responsible for an estimated 22,000 jobs in Greater Victoria and Tourism Victoria's partnership with the BCHF signals support to those in the community who dedicate themselves to the hospitality industry.



About the BCHF

The B.C. Hospitality Foundation's mission is to offer financial assistance, beyond traditional medical benefits and insurances, to individuals within the hospitality community. As well, the BCHF is committed to supporting the industry's next generation by providing scholarships to selected students enrolled in hospitality, culinary and wine educational programs in B.C.



Corporate and Destination Awards

CORPORATE AWARDS

Industry Partner Award

Aboriginal Tourism Association of British Columbia

November 2015

Tourism Victoria – Aboriginal Cultural Festival

Gold Adrian Award

HSMIAI, Hospitality Sales and Marketing Association International

November 2015

Tourism Victoria – Victoria, the Idea Capital Video Books – Best sales brochure

Gold Adrian Award

HSMIAI, Hospitality Sales and Marketing Association International

November 2015

Tourism Victoria – Beyond Words Custom Converse - Best partnership

Best Multi-Media Campaign

Tourism Vancouver Island Awards

September 2015

Tourism Victoria – Beyond Words

DESTINATION RECOGNITION

Garden Destination of the Year

International Garden Tourism Network

Best Airport in North America

Airports Council International Award

#19 World's 30 Friendliest Cities

Travel and Leisure



Destination Marketing

MISSION: Market Greater Victoria as a destination to consumers and maintain brand integrity throughout all Tourism Victoria communications.

In 2015, Tourism Victoria's Destination Marketing department continued to focus on bolstering our spring and summer seasons as well as key periods that drove shoulder and off-season travel. For the second year, Tourism Victoria commissioned an independent third-party research firm to conduct an assessment of the spring campaign to measure the effectiveness of its destination advertising program. The research showed that *Victoria Beyond Words* successfully moved Seattle consumers along the path to purchase.

This increased visitation and economic impact for Victoria:

- 78:1 ROI, the industry norm ranges from 12:1 to 20:1
- 12,788 Seattle travellers booked a trip to Victoria as a result of this campaign with an economic impact of \$5.9 million to the destination

Romance

To drive visitation for late January and February, Tourism Victoria reinforced Victoria's growing reputation as Canada's Most Romantic City, as voted by Amazon.ca and *USA Today*. This new campaign positions Victoria as the perfect romantic getaway with messages including, "Reconnect in Canada's Most Romantic City," and, "When a place is this romantic ... it is Valentine's Day all year long."

Victoria Beyond Words

When you are in a very special place, experiencing something so exceptional and unique, it is difficult to put it into words. That is the effect Victoria has on people. The *Victoria Beyond Words* campaign takes those exceptional Victoria-esque experiences and gives them their own distinct language.

From Extreme Hogfestation at our local restaurants, to Splasherific Gawkerism with our ocean-bound wildlife, Victoria is so awesome — it's beyond words.

In 2015, we entered into a partnership with local boutique retailer Baggins Shoes to offer media influencers custom Converse shoes branded with *Victoria Beyond Words*. Other campaigns throughout the year leveraged the Beyond Words creative concept.

Halloween – Fangtastic Thrillerism

To drive visitation for the month of October, Tourism Victoria played up the caché this destination has around Halloween. In 2015, we created a haunted downtown-storefront to add to the Halloween-themed destination. This is year-two of a multi-year plan to make October a key travel time.

Christmas – Christmassive Joyification

After four years of consistent promotion, Tourism Victoria is cementing its reputation as a favourite Christmas destination. Since this strategy was implemented, occupancy is up 19 per cent and RevPAR is up 36 per cent.

Connecting America – Look Up

To promote November and December travel in the primary market of Seattle, Tourism Victoria partnered with Destination Canada on the Connecting America program. While website traffic for this campaign was low, the campaign drove 36,661,393 impressions for the destination.



Social Media and Content Marketing

Mission: Create, curate and share Greater Victoria content daily on relevant platforms.

In 2015, the Content Marketing department continued to pump up year-round content marketing efforts through deep integration with all departments including Destination Marketing, Media Relations, Business Events Victoria and Member Services. Tourism Victoria’s social following finished the year at 95,297. Tourism Victoria’s Facebook had a reach of 7,973,986, and Instagram continues to grow exponentially with 209 per cent growth in 2015.



Mobile Website Results

	2014	2015	Change
Sessions	128,159	335,734	+162%
Page Views	415,607	937,998	+126%
Bounce Rate	40.88%	50.29%	+23%
Average Site Duration	2:13	1:52	-16%

Desktop Website Results

	2014	2015	Change
Sessions	1,385,584	1,522,940	+10%
Page Views	4,546,986	4,843,887	+7%
Bounce Rate	46.31%	45.10%	+3%
Average Site Duration	3:28	3:18	-5%

Media Relations

MISSION: Promote Greater Victoria to travel media to achieve positive editorial coverage of the destination.

In 2015, the Media Relations team set a new high in terms of coverage with 377 placements. This is a 21 per cent increase. In large part, this was the result of one viral placement that attributed to 62 placements alone. Media Relations also continued to offer creative approaches to initiatives that supported Tourism Victoria's Marketing Calendar and reinforced campaign themes. These efforts helped solidify our position as a destination, with 29 pieces of coverage around Christmas, 11 for Halloween and 21 for Romance.

Assisted Placements

Canada

Style at Home

Canadian road trips – June 6, 2015

Audience: 250,000 print circulation/1.5 million unique visitors a month

WestJet Magazine

Victoria Two Ways – March 23, 2015

Audience: 46,000 unique visitors a month



US

New York Times

Trendsetting Spots That Don't Detract From the Old World Charm – November 15, 2015

Audience: Print 2.6 million; Online 80 million unique visitors a month

Washington Post

Victoria, Canada is a Small City with a Big Farm to Table Scene – April 24, 2015

Audience: Print 436,000; Online 19 million unique visitors a month

International

Perth Now, Australia

Destination Canada's CTCTV – Godfrey Gao in Victoria, B.C. – July 30, 2015

Audience: 1 million+ views

MISSION: Promote Greater Victoria to tour operators, receptive tour operators and travel agents to develop and increase itineraries to the destination.

In 2015, Tourism Victoria’s travel trade department continued to focus on delivering business leads and new tour operator programs from our core markets in the U.S., China and Australia. We also continued to service our core markets in the U.K., Germany and Japan through a partnership-based approach with Destination British Columbia. We focused on a mix of in-market sales calls, key tradeshow participation, familiarization tours (FAMs) and select sales-missions involving member businesses to achieve our results.

From a tradeshow perspective, the travel trade department participated in several key appointment-based tradeshows throughout 2015. Major North American initiatives included attendance at Rendezvous Canada, Canada’s West Marketplace and multiple U.S.-based tradeshows such as Cruise 360, Go West, Active America China and the Victoria Clipper Two Nation show. From an overseas standpoint, we attended three shows in conjunction with Destination Canada: Corroboree in Australia, Showcase Canada in China and Focus Japan in Japan. Continuing to focus on delivering business results, the travel trade team secured 110 appointments over four days at Showcase Canada in Shenyang, China. From these appointments we were able to secure 87 specific product leads for local member businesses.

Additionally, long-haul sales efforts were conducted in conjunction with tradeshow activities in Australia, China and Japan. Within our short-haul markets, sales calls and agent training were conducted in Vancouver, Richmond, Seattle, Portland, San Francisco and Toronto. Through our membership with the Canadian Inbound Tourism Association – Asia Pacific, we also leveraged opportunities to attend their spring and fall events with additional receptive tour-operator sales calls in Richmond.

The travel trade team continued to focus on Asia as a key volume-driver to our destination, and successfully organized a China market sales mission to support our strategy. This sales initiative included targeted sales calls to key tour-operators with nine local members – the organization’s largest attendance ever. Tourism Victoria coordinated all arrangements, from sales-call scheduling to hotel and transportation requirements. This destination sales team delivered more than 35 successful meetings with executives

of some of China’s largest tour operators in Shanghai, Hangzhou and Beijing.

In 2015, we also relied on familiarization tours as an important channel for showcasing the destination and educating travel influencers. As market conditions and occupancy remained high over the year, we did reduce our execution of non-key market FAMs in favour of growth markets and in-market sales calls. As such, the travel trade welcomed more than 40 familiarization tours from multiple geographic markets.

Adding to strides made in 2014, the travel-trade team maintained its sales effort focus this year on building shelf-space and distribution and delivering new business leads through the travel trade channel. In 2015, the travel-trade team was successful in developing 23 new tour-operator programs that included Victoria and member products, and took large strides in delivering 311 leads to more than 276 member businesses.

Travel Trade Activity Report	2013	2014	2015
Member Leads	N/A	153	311
New Programs by Tour Operators	8	7	23
FAM Tours	57	59	40



Business Events Victoria

MISSION: Promote Greater Victoria to meeting planners to bring meetings, conferences and incentive travel to the Victoria Conference Center and meeting hotels in the destination.

It was a transitional year for the Business Events Victoria (BEV) unit of Tourism Victoria. In 2015, Tourism Victoria made the decision to shift its meeting and incentive sales strategy to become more focused on potential growth prospects in the corporate meetings market. This new strategy was aimed at the growing corporate-meetings segment in combination with integration into vertical industry sectors that were aligned to Destination Canada's Business Events Canada division.

This approach allowed us to pursue additional corporate meeting opportunities while also increasing our collective reach through synergies other competitors were not capitalizing on. Our team's new name reflects the importance of going beyond filling hotel rooms and our convention centre (although still extremely important), and recognizes the important role meetings play in supporting Victoria's business and investment priorities.

The Business Events Victoria team also helped launched a new meetings marketing campaign — Victoria, the Idea Capital — and executed this campaign across multiple tradeshow, sales calls and FAM events. The campaign focused on exposing the true value and power of meetings through connecting people and stimulating ideas. From a new tradeshow booth that allowed delegates to recharge their electronic devices to video sales books with an embedded destination video, the BEV team worked hard in 2015 to showcase that Victoria is full of forward thinking, passionate people who want this business. We worked to prove that, by virtue of everything Victoria has to offer, hosting a meeting here is nothing short of a capital idea.

From a sales call perspective, the BEV team conducted one-on-one sales calls with corporate and third-party meeting planners and association executives in key Canadian markets: Vancouver, Calgary, Ottawa, Toronto and Montreal. Across North America, we attended key tradeshow such as CSAE, PCMA, PCMA Innovation, Incentive works and Tete-a-Tete.

The U.S. remained a growing source of corporate opportunities. Our team conducted additional sales calls in key centres: Seattle, San Francisco and Los Angeles. Other U.S. sales activity included participation in IMEX, M&C Global Interact, Site SO-Cal and BEC Seattle events.

Additionally, the team hosted an array of meeting planners on familiarization trips and site visits to Victoria. The following testimonial illustrates how we were able to showcase Victoria as a desirable destination for meetings, conferences and incentive travel.

"From the moment I landed until my departure, every detail on our packed itinerary was flawlessly executed. The 'perfect day' highlighted countryside apple orchards and wineries, Inner Harbour, Convention Centre, key host hotels and resorts. The partners rolled out the red carpet and conducted first-class VIP site inspections. The whole experience was exceptional. I am on a mission to tell the world!"

- Terri Burke, GTP, Director of Business Development, Southern U.S.
BUSINESS EVENTS CANADA



2015 Highlights

- 111 RFPs
- 42,040 potential room nights
- 10,920 confirmed room nights



MISSION: Apply superior destination knowledge and outstanding customer service to provide visitor information and booking services that help create an unforgettable travel experience and extend length of stay.

Key Strategic Asset

Since the 1970s, Tourism Victoria has operated the Visitor Centre at 812 Wharf Street – a strategic location in the Inner Harbour, the heart of the tourist district. The Visitor Centre provides high-quality service: answering questions in person, booking tickets and tours, and offering suggestions over the phone and through e-mail. We also have opportunities to listen to customer complaints and work to turn any experience into a positive one. As our destination becomes busier, the Visitor Centre becomes ever more important as our professional staff help visitors discover alternative choices for activities when their initial choice is not available. This ensures visitors have a great vacation in Greater Victoria and are inspired to return.

Improves Sales Training, Product Knowledge and Sales Results of Member Product

Building on the successes of 2014, Visitor Services continued its focus on confirming the sales of member product. To do this, we placed greater emphasis on sales training and member-product knowledge. In addition, some key member-products were added to the sales roster. The results were impressive. Sales of member product grew from just under \$1 million in 2014 to more than \$1.5 million in 2015.

Long-Term Lease Secured

As referenced in the 2014 Annual Report, the building that houses the Tourism Victoria visitor centre went through a series of ownership changes from 2013-2015. With ownership now secure, Tourism Victoria was able to complete negotiations on a long-term lease with the City of Victoria. The lease is for 10 years with two-additional five-year renewal options.

Ogden Point Operations

In 2015, Tourism Victoria commenced operations at Ogden Point Cruise ship terminal. Working in partnership with Greater Victoria Harbour Authority and Western Stevedoring, our kiosk provided an opportunity to refer cruise visitors to member businesses while in port. It also gave us a platform to encourage visitors to learn more about Greater Victoria and return on a land-based vacation.

2015 Performance Results

	2014	2015
Visitor Parties Served	46,146	48,654
Visitors Served	95,557	109,151
Ticket Sales	\$985,732	\$1,555,786
Volunteer Sales Referrals	N/A	476
Foot Traffic Counter	293,483	340,300

Volunteer Program

In 2015, Tourism Victoria continued its volunteer program with more than 75 friendly and dedicated volunteers. Aside from greeting visitors and answering questions, volunteers were encouraged to pre-qualify customers for member products through a sales referral program. Volunteers would ask what the customer was looking to experience, pre-qualify them with options of member businesses, complete a referral card and then transfer the customer to the counter to complete the sales process. In 2015, more than 476 sales referrals were completed resulting in significant incremental sales results.

Tourism Victoria benefits from a strong and engaged membership. As of December 31, 2015, we had 905 membership listings, a notable increase from 849 listings at the end of 2014. For a destination the size of Greater Victoria, this is a significant achievement. Our diverse membership base provides a foundation for Tourism Victoria as our members' products are what we promote to the world, represent to our community and recommend to our customers.

Member Events in 2015

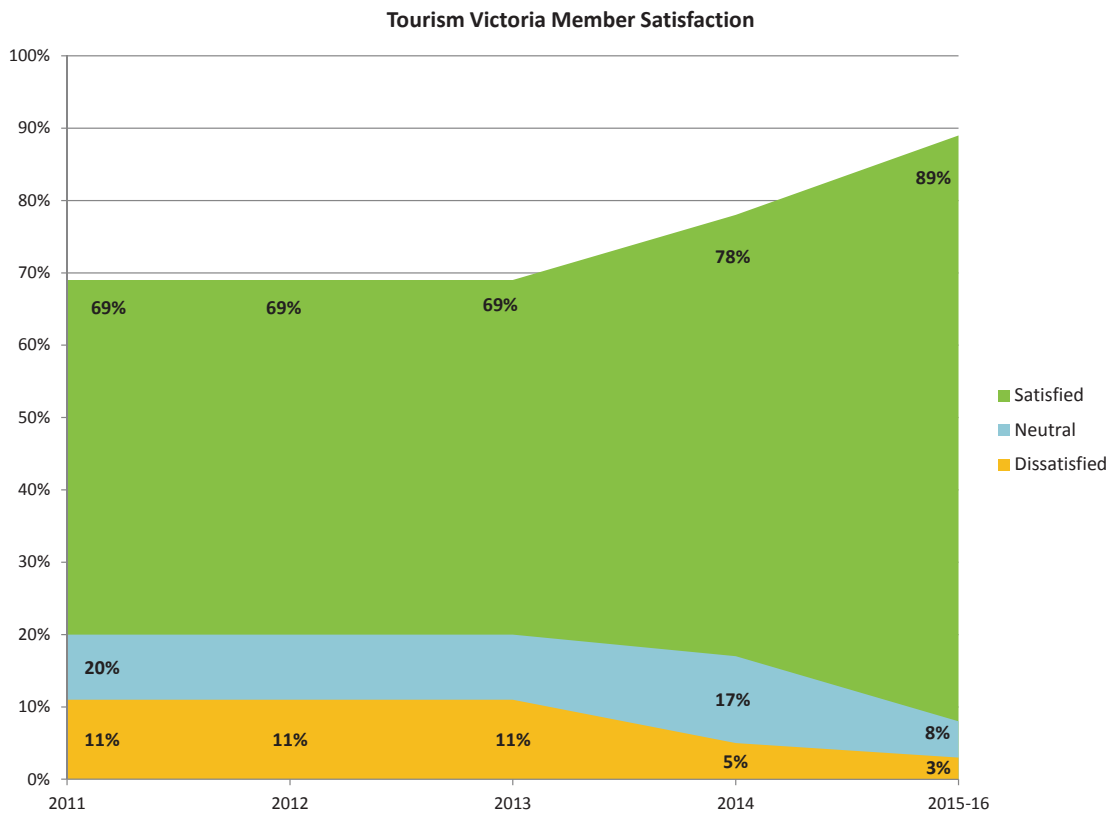
In 2015, Tourism Victoria's membership once again had plentiful opportunities to socialize and network. A total of 958 members attended Membership Matters Mixers, up from 787 in 2014. And 175 members attended our annual open house, compared to 140 in 2014.

Membership Drive and New Member Orientation

In 2015, Tourism Victoria increased its number of new members and ensured these businesses were introduced to all of Tourism Victoria's services and offerings. We held new membership drives in the spring and fall, as well as new member orientations and a mixer specifically focused on new members. Members responded positively, saying they felt actively engaged and that they were quickly able to promote their products through Tourism Victoria's channels.

Member Satisfaction

Tourism Victoria conducts a member satisfaction survey each year. In 2015, improvements were made to the survey design and Tourism Victoria placed additional emphasis on ensuring greater and more diversified membership response. The results showed continued improvement in membership satisfaction with the percentage of members who said they were satisfied with their membership growing from 95 to 97 per cent.



Corporate Communication and Public Affairs

Mission: Ensure better communication of the tourism industry's position and articulate how the tourism industry supports community well-being and economic vitality.

In 2015, Tourism Victoria helped to tell our industry's story, advance our public policy agenda and ensure we support our members on key public affairs priorities. Our Corporate Communications and Public Affairs function also administers the Festivals and Events Partnership Investment Program along with handling local media requests, public affairs opportunities and research.

Highlights

- 130 Local Media Placements
- 40 Political Briefings and Opportunities in 2015

Seattle Mission

In February, Tourism Victoria hosted a day trip to Seattle to strengthen ties and explore business opportunities with our key source market. Tourism Victoria's Chair, Chair of the Transportation Committee and our President and CEO were joined by the City of Victoria's Mayor and a Councillor, as well as representatives of Victoria International Airport and Western Stevedoring (on behalf of Greater Victoria Harbour Authority). Bilateral meetings were held with Visit Seattle to explore partnership opportunities, with cruise-line executives to discuss home porting and with the Pacific Northwest Economic Region to discuss common policy objectives around transportation, access and tourism along with the Seattle Consul General's office.



Mayor's Mission to San Francisco

Tourism Victoria was pleased to join the Mayor of Victoria on her mission to San Francisco in September 2014. This was a broad mission to expand business relationships between the two regions. Organizations such as the Greater Victoria Development Agency, VIATEC, the University of British Columbia and others joined in the mission. In addition to the mission's program, Tourism Victoria conducted sales calls with inbound tour operators from the San Francisco area, AAA California/Nevada and local meeting planners.

Delegation to Ottawa to Advance Belleville Terminal

Tourism Victoria was pleased to lead a broad delegation to Ottawa, November 30 – December 2, 2015, to brief the new federal government on the infrastructure opportunity at Belleville International Ferry Terminal. Tourism Victoria was joined by Victoria Member of Parliament Murray Rankin, officials from the B.C. Ministry of Transportation and Infrastructure, City of Victoria Mayor Lisa Helps and Coun. Margaret Lucas, representatives from the Greater Victoria Harbour Authority and key members of Tourism Victoria's Board of Directors along with Clipper Navigation and Black Ball Ferry Line.

A formal briefing was held with six federal ministries, the federal Minister of Infrastructure and other Members of Parliament. Substantive follow-up was requested and provided. We are confident the new government is well informed about the opportunity to invest in the Belleville International Terminal.



Leveraging and Partnerships

Tourism Victoria places a high value on partnering with other organizations in order to stretch our investment dollars and make a greater impact in the marketplace. Working together and sharing resources, we are able to efficiently advance objectives that many of our members have in common. This provides a significant benefit for our stakeholders.

A few examples of how we achieved more by working together in 2015 include the following:

Christmas campaign

Tourism Victoria was pleased to be one of a select number of partners in Destination Canada's Connecting America pilot program in 2015. Tourism Victoria partnered with Destination Canada to successfully expand the scope of our Christmas campaign.

By working together and leveraging investment, we were able to collectively provide \$280,000 for our 2015 Christmas campaign. This helped address a key off-season period.

This is the power of working together.

Greater Victoria Development Agency, Meetings and Conferences Program

Tourism Victoria was pleased to partner with the Greater Victoria Development Agency to amplify Business Events Victoria messaging. Because meetings and conferences are often the tip of the spear when it comes to introducing a

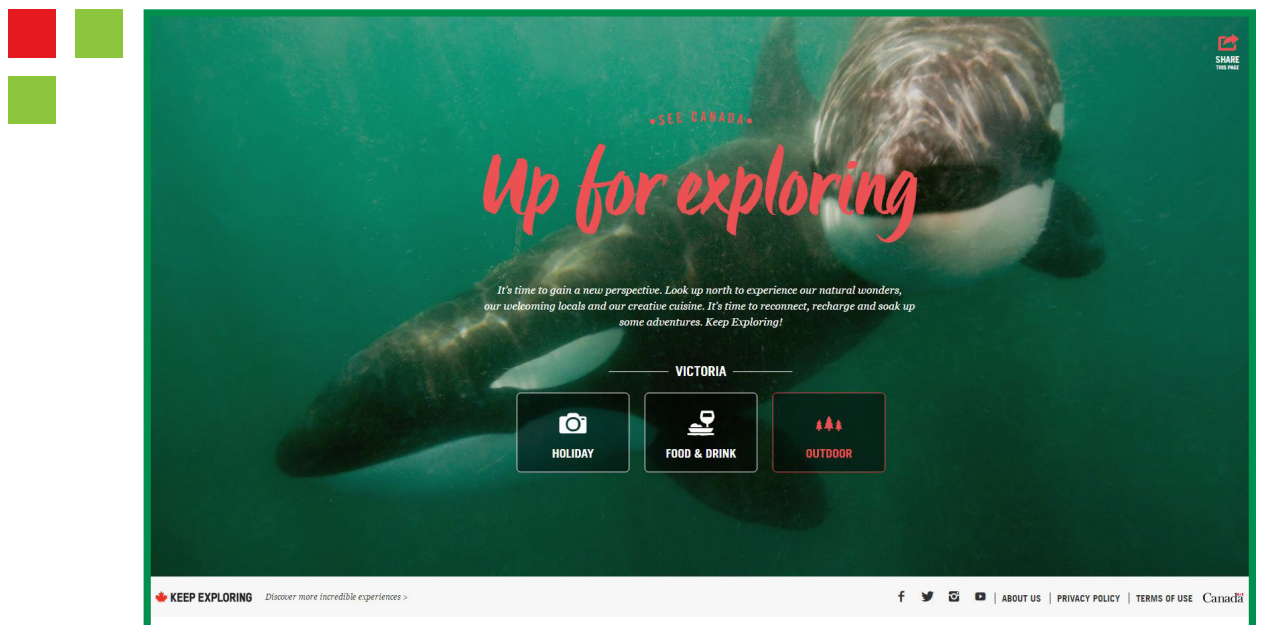
destination to business people and investors, it was mutually agreed that, by partnering together, Tourism Victoria and the Greater Victoria Development Agency could raise the profile of our region as a meetings and business destination. This resulted in an incremental \$80,000 investment in Tourism Victoria's existing Business Events Victoria meetings marketing campaign.

Greater Victoria Development Agency, Education Victoria

Collaborating with the Greater Victoria Development Agency, Tourism Victoria lent its intellectual property, logo, font and trademarked slogan to the Education Victoria effort. This was done so that marketing and communications efforts about Greater Victoria had a consistent look and feel for tourism marketing as well as education marketing.

Collaborating on Seasonal Campaigns

Tourism Victoria was pleased to collaborate with the City of Victoria and the Downtown Victoria Business Association on our 2015 Romance and Halloween campaigns. By working with these two partners we brought a dynamic and vibrant energy to the downtown core and created a sense of place and excitement leading up to Valentine's Day in February, and Halloween in October. The effort improved the guest experience for visitors to the city. With careful consideration to how we animated the downtown, we were also able to maximize the reach and sharing of social media that promoted our destination.



Business Discussion and Analysis

The purpose of the business discussion and analysis and the subsequent financial discussion and analysis is to provide, through management's eyes, clear disclosure of the material items affecting Tourism Victoria's ability to deliver against its mission and strategy.

Operating Context

As referenced throughout this document, 2015 was an extremely strong year for the Tourism industry in Greater Victoria and a record across several dimensions such as occupancy, average daily rate and revenue per available room (RevPAR). The destination has taken a significant step toward what is viewed by industry as a structural step change. Because Tourism Victoria is largely funded by accommodation taxation and marketing levies, this step change had a significant positive impact on revenues for the organization. This will be discussed in greater detail in the financial analysis section.

Accommodation Performance Metric	2014	2015
Annual Occupancy	66.66%	70.16%
Average Daily Rate	\$135.37	\$147.74
Revenue Per Available Room	\$90.24	\$103.65

Ability to Remain a Going Concern

Tourism Victoria must constantly work on resourcing. It has been consistently stated through the organization's past strategic plans and annual reports that funding for Tourism Victoria is short term in nature and always vulnerable. Tourism Victoria took steps to mitigate this in 2015 by working with the City of Victoria on a renewed funding agreement that would move Tourism Victoria from an annual renewal cycle to a five-year renewal cycle, which is consistent with the majority of community Destination Marketing Organizations in British Columbia.

Tourism Victoria's ability to remain a going concern is largely dependent on its ability to inspire confidence and investment from a series of funding partners including the City of Victoria, District of Saanich, the Victoria Hotel Destination Marketing Association (VHDMA), its membership base and various entities that provide grants to the organization. A clear strategy and highly attributable outcome-performance measures ensure stakeholders and partners understand what they have invested in the outcomes of those results.

Focus on Executing of Strategy

Tourism Victoria developed in 2014, and implemented in 2015, a robust, three-year rolling strategy: Accelerating Growth and Community Prosperity. A Roadmap for a Prosperous and Vibrant Tourism Industry in Greater Victoria.

Tourism Victoria works hard to align its operations to execute strategy. This plan is supported by a clear strategy map, Enterprise Balanced Scorecard and annual operating plan with performance measures.

Completing and Implementing Human Resources Strategy

It is our people who execute strategy and drive our business forward. The 2014 Annual Report highlighted the need for a comprehensive Human Resources Strategy, and, in 2015, Tourism Victoria management delivered. Tourism Victoria's new Human Resource strategy includes:

- A clear philosophy on the type of organization we aim to be and the type of employees we want as part of our organization. Tourism Victoria is striving to have an 'A'-player in every seat
- A philosophy that, every time there is turnover, it is an opportunity to add depth and experience
- A strategy and philosophy clearly defining acceptable labour to programing ratios, which is benchmarked against Destination Marketing Association of Canada averages
- An approach that links compensation to data-driven industry metrics and compensation changes directly to organizational, team and individual performance indicators
- Clarity around training and development and the need for succession planning.

Tourism Victoria started to implement this Human Resources strategy in 2015 and will continue to do so in 2016.



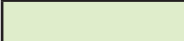
Risk Management

Tourism Victoria actively monitors its risk environment and works to manage inherent risk and mitigate its effects. In the 2014 Annual Report, the following risks were identified:

Risk	Description	Current Assessment of Impact and Likelihood	Mitigation Strategy
Visitor Centre Lease	The visitor centre lease expired Dec. 31, 2015. The Visitor Centre had gone through a series of ownership changes.	High likelihood and high impact in 2014. Now mitigated.	A new 10-year lease has been completed with the City of Victoria, which purchased the facility in 2015. The risk around this item has been eliminated.
Long-Term Sustainable Funding	Tourism Victoria was one of the few remaining Destination Marketing Organizations in British Columbia requiring annual approval of funding.	Tourism Victoria had been able to get annual approval for 40 years, however a short-term funding horizon does not lend itself to good medium-term planning and execution.	Tourism Victoria reached an agreement in principle with the City of Victoria in November 2015. Tourism Victoria is working hard to complete this agreement. When complete this will largely mitigate this risk.
Managing Disruptive Tourism Industry Risks	The growing tourism industry is subject to ongoing shocks and disruptions from external macro-economic, political or societal forces.	This risk was rated as a medium risk in the 2014 Annual Report. In 2015, the Tourism Industry experienced disruption through volatile stock markets affecting consumer confidence, slow global growth, terrorism events and, locally, the threat of a boycott of visitation to Victoria from Seattle due to the sewage treatment file not moving forward as quickly as stakeholders in Washington State would like.	How this risk is mitigated is threefold: <ul style="list-style-type: none"> • Continue to build a solid tourism brand through promotional efforts, which ensures Greater Victoria is a desirable destination to visit, no matter what the conditions • Ensure strong corporate communication and issues management protocols • Ensure strong relationships with partner.

In addition, the following risk has been identified for 2015. In summary, Tourism Victoria feels it has its risk-profile largely managed but will remain active monitoring risk and creating mitigation strategies wherever possible.

Risk	Description	2015 Assessment of Impact and Likelihood	Mitigation Strategy
Competition for Talent	As the Tourism Industry continues to grow and prosper, competition for key talent is intensifying.	Tourism and marketing are highly people-driven businesses. The likelihood of increased competition is high.	Comprehensive human resources strategy. Increased emphasis on day-to-day excellence in the human resources area.

Colour Code	Risk Level	Description
	High	Significant or acute risk to the organization financially and on its ability to deliver against strategy
	Medium	Places constraints or drag on the organization's ability to deliver against its strategy
	Low	Risk exists in the environment but is not materially impacting the organization's ability to deliver against its strategy

Balanced Scorecard

2015 marked the first full year that Tourism Victoria deployed the Balanced Scorecard performance management framework. The Balanced Scorecard provides a clear and simple framework for providing targets across multiple dimensions to ensure the organization is healthy and in balance. Below you will see the targets and results from the 2015 Enterprise Balanced Scorecard.

2016 Enterprise Balanced Scorecard

Measure	Unit	2012		2013		2014		2015		2016		
		Result	Result	Result	Result	Result	Result	Target	Target			
Greater Victoria Tourism Industry Indicators (Source: Chemistry Consulting Group)												
Tourism Economic Impact	\$	1.915 billion ¹	N/A	N/A	N/A	N/A	Scope	Fieldwork				
Accommodation Occupancy Rate	%	62.25	64.33	66.66	70.16%							
Rev PAR	\$	74.80	82.44	89.87	103.65							
Conference Centre Delegate Days	#	94,529	104,613	98,235	96,590							
YYJ Airport Arrivals	#	1,506,212	1,556,960	1,650,165	1,710,825							
Perspective	Measure	Unit	2012		2013		2014		2015		2016	
			Target	Result	Target	Result	Target	Result	Target	Result	Target	Result
Tourism Victoria Performance Measures												
1. Financial	Marketing campaign ROI	ratio	N/A	N/A	N/A	N/A	N/A	39:1	20:1 ²	78:1	30:1	
	M&IT Confirmed Room Nights	#	N/A	N/A	N/A	9,371	No Target ³	9,371	11,000	12,788 ⁸	11,500	
	Economic contribution of Tourism Victoria's M&IT program	\$	N/A	N/A	N/A	\$4,216,950	N/A	\$4,216,950	\$4,950,000	\$4,914,000	\$5,175,000	
	Visitor Centre Ticket Sales	\$	N/A	N/A	N/A	724,072	1,050,000	1,033,631	1,250,000 [*]	1,550,000	1,650,000	
	Gross Membership Service Revenue	\$	N/A	771,020	N/A	910,578 ⁴	976,327	966,592	978,050	995,100	1,016,350	
	Proportion of gross revenue allocated to labour	%	N/A	43.6	N/A	40.1	N/A	39.8	39.0	35.7	38.3	
2. Customer	Sessions on TourismVictoria.com	#	N/A	N/A	N/A	1,198,942	1,378,783	1,385,584	1,250,000	1,522,940	1,500,000	
	Travel & Lifestyle Media Editorial Placements	#	N/A	147	N/A	245	268	311	275	350 ⁷	300	
	Total Engagement on Social Channels	Facebook	#	N/A	N/A	N/A	N/A	N/A	N/A	89,000	111,000	
		Twitter	#	N/A	N/A	N/A	N/A	N/A	N/A	47,000	58,750	
		Instagram	#	N/A	N/A	N/A	N/A	N/A	N/A	72,000	144,600	
		Google+	#	N/A	N/A	N/A	N/A	N/A	N/A	750	940	
		Pinterest	#	N/A	N/A	N/A	N/A	N/A	N/A	550	690	
		LinkedIn	#	N/A	N/A	N/A	N/A	N/A	N/A	1,100	1,370	
	New Business Leads for Members	#	N/A	N/A	N/A	N/A	N/A	153	200 ⁹	307	300	
	New Programs by Tour Operators	#	N/A	N/A	N/A	8	8	7	10	23	15	
M&IT Potential Room Nights	#	N/A	N/A	N/A	41,671	41,700	56,784	43,000	42,040	45,000		
3. Internal Process	Annual Savings in Overhead	\$	Not Prioritized	Not Prioritized	Not Prioritized	Not Prioritized	Not Prioritized	Not Prioritized	25,000	26,950	10,000	
	Scope & Develop a more robust Festivals & Events Strategy		N/A	N/A	N/A	N/A	N/A	N/A	Yes/No	Not completed	Underway	
	Complete integration of Simpleview Platform through Sales Channels		N/A	N/A	N/A	N/A	N/A	N/A	Yes/No	Completed	Completed	
4. Learning & Growth	Employee engagement index	%						TBD	Benchmark	Underway	65%	
5. Foundation	Member Satisfaction Rate (Satisfied or Neutral)	%	N/A	89	N/A	89	70	95	90 [*]	97%	90%	
	Number of Local Media Placements	#	N/A	N/A	N/A	N/A	75 YTD ⁵	TBD	75	130	115	
	Number of Political Briefings/Opportunities per Year	#	Not Tracked	Not Tracked	Not Tracked	Not Tracked	35 YTD ⁶	TBD	20	40	35	

* Target amended after business plan approval due to new information

¹ Grant Thornton Report

² 60% higher than industry average

³ For 2015 the department is moving from potential to confirmed room nights

⁴ In 2013 there was a change in membership structure and categorization for revenues

⁵ Skewed high with January 2014 arrival of new President & CEO

⁶ Skewed high with January 2014 arrival of new President & CEO and election year

⁷ Whale footage that went viral accounted for 62 placements. Without the whale footage placements are 288

⁸ SV Actual Result 10,920 confirmed room nights but does not include CWM which is confirmed for min 1660 nights but not yet contracted = 12580

⁹ Target was increased to 200

The tourism industry in Victoria has experienced an exceptional year. In 2014, Tourism Victoria experienced volatility and delays in the receipt of Municipal and Regional District Tax revenue. As a result, management was conservative and prudent in its budgeting, spending and procurement for 2015. Late into Q3, it became clear that revenues would be exceptionally strong. Tourism Victoria management worked with its board of directors to strategically address this situation. A decision was reached to not spend to zero, as some not-for-profits do, but instead carry over unused resources to support long-term projects in strategically important areas.

Tourism Victoria's 2015 fiscal year reported a net operating-surplus of \$426,093.

Up to 50 per cent of that total will be transferred to the internally restricted reserve fund, which is in place to cover operating costs for up to six months, in the event of a significant economic decline.

The surplus was the result of a greater than anticipated increase in the Municipal Regional District Tax for 2015, as well as Tourism Victoria's disciplined approach to budgeting. During the course of the year, we chose to save funds in order to undertake major projects in 2016, including a complete redesign of our website and online presence.

Total revenue increased by 6.1 per cent, or \$297,644, from 2014. The increase was primarily due to increases in the Municipal Regional District Tax, revenue from the ticket centre and retail sales at the Visitor Centre. These increases were partially offset by a decrease in Destination Marketing Fee (DMF) revenue provided by the Victoria Hotel Destination Marketing Association (VHDMA).

Total expenditures decreased by two per cent, or \$97,674, compared to 2014. This resulted from declines in general and administrative expenses, amortization expense, as well as membership services expenses. These declines were offset by increases in Visitor Centre services expenses associated with higher sales. Aggregate marketing and sales-based expenses were slightly lower (2.5 per cent) for the year.

Further details and explanation of revenues and expenses are in the Management Financial Analysis section.

Tourism Victoria is a not-for-profit, member-based organization. All received funding continues to be variable and vulnerable, but the organization has formalized sustainable funding agreements with industry and government partners.

These agreements support longer-term, proactive funding for Tourism Victoria's sales and marketing efforts. Because of the nature of our organization's revenues, variations from internal forecasts are monitored on a monthly basis, allowing as much time as possible for corrective action to be implemented.

MUNICIPAL AND REGIONAL DISTRICT TAX

The purpose of the MRDT program is to assist designated recipients to fund tourism marketing, programs and projects.

The MRDT program is jointly administered by the Ministry of Finance, the Ministry of Jobs, Tourism and Skills Training, and Destination British Columbia. The MRDT program is one of a number of supports available to enhance tourism marketing in B.C.

The MRDT program is intended to help grow B.C. revenues, visitation and jobs, and amplify B.C.'s tourism marketing efforts in an increasingly competitive marketplace.

To promote a coordinated and efficient use of funds, the following MRDT program principles have been adopted:

- Effective tourism marketing, programs and projects
- Effective local-level stakeholder support and inter-community collaboration
- Marketing efforts that are coordinated and complementary to provincial marketing strategies and tactics
- Fiscal prudence and accountability.

From: Municipal and Regional District Program Requirements, Fall 2015
(Government of British Columbia)



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INDEPENDENT AUDITORS' REPORT

To the Members of Greater Victoria Visitors & Convention Bureau

Report on the Financial Statements

We have audited the accompanying financial statements of the Greater Victoria Visitors & Convention Bureau, which comprise the statement of financial position as at December 31, 2015, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Greater Victoria Visitors & Convention Bureau as at December 31, 2015, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that, in our opinion, the accounting policies applied by the Greater Victoria Visitors and Convention Bureau in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

April 8, 2016
Victoria, Canada

GREATER VICTORIA VISITORS & CONVENTION BUREAU

Statement of Financial Position

December 31, 2015, with comparative information for 2014

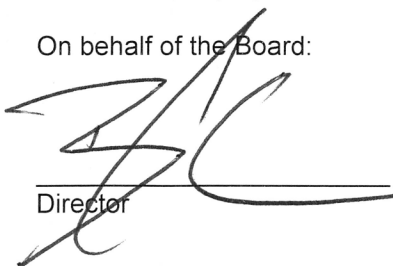
	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 784,956	\$ 183,721
Short-term deposits (note 2)	286,736	268,217
Accounts receivable	984,992	937,728
Inventories	2,601	3,547
Prepaid expenses	105,495	42,368
	2,164,780	1,435,581
Capital assets (note 3)	229,874	320,556
	\$ 2,394,654	\$ 1,756,137

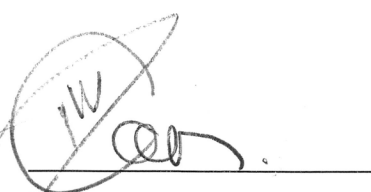
Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 453,020	\$ 443,700
Deferred revenue (note 5)	554,262	429,116
Deferred Destination Marketing fees (note 6)	282,902	187,819
	1,290,184	1,060,635
Leasehold inducements	207,740	224,865
Net assets:		
Internally Restricted Reserve Fund (note 7)	279,076	263,676
Unrestricted	617,654	206,961
	896,730	470,637
Lease commitment (note 8)		
	\$ 2,394,654	\$ 1,756,137

See accompanying notes to financial statements.

On behalf of the Board:


Director


Director

GREATER VICTORIA VISITORS & CONVENTION BUREAU

Statement of Operations

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Revenues:		
Hotel room tax (note 11)	\$ 2,680,912	\$ 2,284,123
Destination marketing fee (note 6)	881,998	1,124,415
Membership services:		
Membership fees	441,188	421,043
Advertising fees	559,397	545,549
Retail sales	81,054	58,455
Sundry	94,599	52,564
Events	18,856	38,411
	1,195,094	1,116,022
Travel auction	35,758	34,681
Government grants:		
Municipal	83,500	83,500
Visitor services	120,000	120,000
Reservation and ticket commissions	175,995	112,872
	5,173,257	4,875,613
Expenses:		
Marketing services (note 9)		
Advertising and publications	1,510,392	1,592,534
Media relations	392,460	363,361
Travel trade	461,407	463,065
Research	108,309	91,285
Meetings and incentive travel	457,340	539,216
Web marketing	237,779	198,856
	3,167,687	3,248,317
General and administrative	605,233	639,790
Information services	714,470	626,108
Membership services	160,494	214,874
Amortization	99,280	115,749
	4,747,164	4,844,838
Excess of revenues over expenses	\$ 426,093	\$ 30,775

See accompanying notes to financial statements.

GREATER VICTORIA VISITORS & CONVENTION BUREAU

Statement of Changes in Net Assets

Year ended December 31, 2015, with comparative information for 2014 and 2013

	Internally Restricted Reserve Fund	Unrestricted	Total
Balance, December 31, 2013	247,902	191,960	439,862
Excess of revenue over expenses	-	30,775	30,775
Transfer to Reserve Fund	15,774	(15,774)	-
Balance, December 31, 2014	263,676	206,961	470,637
Excess of revenue over expenses	-	422,190	422,190
Transfer to Reserve Fund	15,400	(15,400)	-
Balance, December 31, 2015	\$ 279,076	\$ 613,751	\$ 892,827

See accompanying notes to financial statements.

GREATER VICTORIA VISITORS & CONVENTION BUREAU

Statement of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	\$ 426,093	\$ 30,775
Items not involving cash:		
Amortization of capital assets	99,280	115,749
Amortization of leasehold inducements	(17,125)	(14,576)
	508,248	131,948
Change in non-cash operating working capital:		
Accounts receivable	(47,264)	(207,404)
Inventories	945	(1,989)
Prepaid expenses	(63,127)	143,598
Accounts payable and accrued liabilities	9,319	56,456
Deferred Destination Marketing fees	95,084	(129,484)
Deferred revenue	125,147	147,028
	628,352	140,153
Financing:		
Proceeds from short-term loan	-	500,000
Repayment of short-term Loan	-	(500,000)
	-	-
Investing:		
Purchase of capital assets	(8,598)	(90,081)
Decrease in short-term deposits	(18,519)	(19,007)
	(27,117)	(109,088)
Increase (decrease) in cash and cash equivalents	601,235	31,065
Cash and cash equivalents, beginning of year	183,721	152,656
Cash and cash equivalents, end of year	\$ 784,956	\$ 183,721

See accompanying notes to financial statements.

GREATER VICTORIA VISITORS & CONVENTION BUREAU

Notes to Financial Statements

Year ended December 31, 2015

Nature of operations:

Greater Victoria Visitors & Convention Bureau (the "Bureau") is incorporated under the Society Act (British Columbia) as a non-profit organization as described in paragraph 149(1) of the Income Tax Act. The Bureau is exempt from income taxation. Its principal business activity is the promotion of tourism in the Greater Victoria area.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for Not-For-Profit Organizations in Part III of the CPA Handbook. The Bureau's significant accounting policies are as follows:

(a) Revenue recognition:

The Bureau follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Revenue from membership dues is recognized on a straight-line basis over the term of the membership. Revenue from advertising spaces is recognized on a straight-line basis over the term of the contract. Government grants are recorded as revenue in the period in which the related expenses are incurred. Reservation and ticket sales are collected on behalf of members and the net commissions are recognized as revenue when a service has been rendered for which a fee is chargeable. Hotel tax revenue is recognized in the period in which the related room sales occur. Destination marketing fees are recorded as revenue in the period in which the related expenses have occurred.

GREATER VICTORIA VISITORS & CONVENTION BUREAU

Notes to Financial Statements (continued)

Year ended December 31, 2015

1. Significant accounting policies (continued):

(b) Capital assets:

Capital assets are recorded at cost, less accumulated amortization. Amortization is provided using the following methods and annual rates:

Asset	Basis	Rate
Office furniture and equipment	Straight-line	5 years
Computer equipment	Straight-line	3 years
Leasehold improvements	Straight-line	remaining lease term
Tradeshaw equipment	Straight-line	3 years
Computer software	Straight-line	3 years
Website development costs	Straight-line	3 years

When a capital asset no longer has any long-term service potential to the Bureau, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

(c) Leasehold inducements:

Leasehold inducements are recorded at the cost of leasehold improvements paid for by the landlord and are amortized on a straight-line basis over the lease term.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Bureau has not elected to carry any such financial instruments at fair value. Financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

(e) Inventories:

Inventories are recorded at the lower of actual cost and net realizable value.

GREATER VICTORIA VISITORS & CONVENTION BUREAU

Notes to Financial Statements (continued)

Year ended December 31, 2015

1. Significant accounting policies (continued):

(f) Use of estimates:

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the amortization period and rates for capital assets and provisions for impairment of accounts receivable.

2. Short-term deposits:

Short-term deposits consist of guaranteed investment certificates bearing interest of 0.97% (2014 - 1.26%) per annum.

3. Capital assets:

				2015
	Cost	Accumulated amortization		Net book value
Office furniture and equipment	\$ 116,405	\$ 75,647	\$	40,758
Computer equipment	129,271	108,011		21,260
Leasehold improvements	300,392	135,565		164,827
Tradeshow equipment	7,093	4,064		3,029
	553,161	323,287		229,874
Computer software	48,334	48,334		-
Website development costs	89,053	89,053		-
	\$ 690,548	\$ 460,674	\$	229,874

GREATER VICTORIA VISITORS & CONVENTION BUREAU

Notes to Financial Statements (continued)

Year ended December 31, 2015

3. Capital assets (continued):

	2014		
	Cost	Accumulated amortization	Net book value
Office furniture and equipment	\$ 116,405	\$ 54,840	\$ 61,565
Computer equipment	125,217	91,093	34,124
Leasehold improvements	300,392	92,628	207,764
Tradeshow equipment	2,549	2,549	-
	544,563	241,110	303,453
Computer software	48,334	48,334	-
Website development costs	89,053	71,950	17,103
	\$ 681,950	\$ 361,394	\$ 320,556

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$19,083 (2014 - \$17,064), which includes amounts payable for payroll remittances, sales tax and workers' safety insurance.

5. Deferred revenue:

	2015	2014
Membership dues	\$ 175,819	\$ 137,412
Advertising fees and listing revenue	175,512	147,442
Deferred vacation guide advertising	202,931	144,262
	\$ 554,262	\$ 429,116

GREATER VICTORIA VISITORS & CONVENTION BUREAU

Notes to Financial Statements (continued)

Year ended December 31, 2015

6. Deferred Destination Marketing fees:

The Bureau has entered into an agreement with the Victoria Hotel Destination Marketing Association ("VHDMA") to conduct destination marketing funded by destination marketing fees collected from member hotels. The continuity of these revenues is as follows:

	2015	2014
Balance, beginning of year	\$ 187,819	\$ 317,303
Amounts received	800,580	811,058
Amounts receivable	176,501	183,873
	1,164,900	1,312,234
Revenue recognized	881,998	1,124,415
Balance, end of year	\$ 282,902	\$ 187,819

7. Internally restricted reserve:

To maintain Tourism Victoria's financial stability, an internally restricted reserve has been designated to provide for operating costs, for a period of up to six months, in the event of a significant economic decline. These internally restricted funds are available only at the approval of the Board of Directors. This reserve is funded by short-term deposits.

GREATER VICTORIA VISITORS & CONVENTION BUREAU

Notes to Financial Statements (continued)

Year ended December 31, 2015

8. Lease commitment:

The Bureau leases the premises it occupies. The lease at Suite 200 - 737 Yates Street is for the period June 1, 2012 to May 31, 2022. The lease for the Visitor Centre on Wharf Street is for the period January 1, 2016 to December 31, 2025. Minimum future lease payments over the next five years are as follows:

	Yates Street	Visitor Center	Total
2016	\$ 138,120	\$ 73,361	\$ 211,481
2017	147,803	73,361	221,164
2018	152,900	73,361	226,261
2019	152,900	78,238	231,138
2020	152,900	78,238	231,138
2021 and thereafter	216,608	404,066	620,674

9. Allocated expenses:

The Bureau classifies expenses on the statement of operations by function. The Bureau allocates certain general and administrative support expenses to departments by identifying the appropriate basis of allocating and applying that basis consistently each year. Support salaries and benefits are allocated proportionately on the basis of activity in the department. Support expenses are allocated proportionately based on the square footage of office space in each department. The allocations are as follows:

	2015	2014
Advertising and publications	\$ 115,725	\$ 103,991
Media relations	116,816	104,996
Travel trade	127,155	112,879
Research	2,383	2,190
Meetings and incentive travel	127,055	112,787
Web marketing	73,276	82,601
	\$ 562,410	\$ 519,444

GREATER VICTORIA VISITORS & CONVENTION BUREAU

Notes to Financial Statements (continued)

Year ended December 31, 2015

10. Financial risks and concentration of risk:

The Bureau believes that it is not exposed to significant interest rate or cash flow risk arising from its financial instruments. Liquidity risk is limited as all investments are held in instruments that are highly liquid and can be disposed of to settle commitments. The Bureau also maintains a line of credit arrangement to enable short term borrowing if needed.

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Bureau limits its exposure to credit risk on cash and cash equivalents and short-term deposits by investing in instruments issued by high credit quality financial institutions. The Bureau is also exposed to credit risk with respect to accounts receivable. The risks are minimal as the most significant receivables relate to amounts due from various governments. The Bureau monitors member and other receivables to ensure amounts remain current. Historically, the extent of receivables not recovered has not been significant.

The Bureau is exposed to interest rate risk on its fixed interest rate short term deposits however all such investments are generally held to maturity as the Bureau does not trade in such securities.

The Bureau is exposed to financial risk as a result of exchange rate fluctuations and the volatility of these rates.

GREATER VICTORIA VISITORS & CONVENTION BUREAU

Notes to Financial Statements (continued)

Year ended December 31, 2015

11. Schedule of Hotel Room Tax and Destination Marketing Expenses:

	2015	2014
Total hotel room tax revenues were:		
City of Victoria	\$ 3,132,948	\$ 2,746,182
District of Saanich	136,720	119,141
	3,269,668	2,865,323
Retained by the City of Victoria for the Victoria Conference Centre	(588,756)	(581,200)
	2,680,912	2,284,123
Destination marketing fee	881,998	1,124,415
Sundry	55,620	31,890
	3,618,530	3,440,428
Marketing services:		
Advertising and publications	1,510,392	1,592,534
Media relations	392,460	363,361
Travel trade	461,407	463,065
Research	108,309	91,285
Meetings and incentive travel	457,339	539,216
Web marketing	237,779	198,856
	3,167,686	3,248,317
Visitor information services	214,341	187,832
Amortization	59,306	73,849
	3,441,333	3,509,998
Excess (deficiency) of revenue over expenses	\$ 177,197	\$ (69,570)

Tourism Victoria is a not-for-profit, member-based organization. Visitor Services and Member Services are funded mainly by membership fees, member-exclusive advertising opportunities on Tourism Victoria's website as well as in print publications and at the Visitor Centre. Revenue is also generated from member events.

REVENUES

Municipal and Regional District Tax

Municipal Regional District Tax (MRDT) revenue increased by 17.4 per cent, from \$2,284,123 in 2014, to \$2,680,912 in 2015. Tourism Victoria receives MRDT from the City of Victoria and District of Saanich and these funds form the majority of the destination marketing budget. In 2015, the MRDT represented 51.8 per cent of Tourism Victoria's total revenue, compared to 46.8 per cent in 2014. Fluctuation in the amount of annual revenues is subject to industry-related risks such as timing in relation to Ministry of Finance reporting, and variations from expected revenues when correlated to industry provided data.

Destination Marketing Fee

Destination Marketing Fee revenue was \$881,998 in 2015, down from \$1,124,415 in 2014, representing a 21.6 per cent decline year over year. It is important to note that Tourism Victoria can only record DMF funds provided there is a corresponding expense to which the revenue can be matched. If more DMF funds are received than are expensed in a period, then the excess funds are recorded as deferred revenue liability on the balance sheet. The amount of DMF funds recorded as deferred revenue increased by 50.6 per cent from \$187,819 (2014) to \$282,902 (2015). Tourism Victoria received a total of \$977,082 in 2015, compared to \$994,931 in 2014, in order to deliver initiatives that drive hotel room stays.

The DMF is administered by the Victoria Hotel Destination Marketing Association (VHDMA) as a one per cent voluntary marketing fee applied to the hotel rate for guests. Approximately 20 hotels in downtown Victoria voluntarily joined the program, which began June 1, 2011. The funds generated from this fee go to Tourism Victoria exclusively for sales and marketing initiatives with the express purpose of generating room nights.

Membership Services

Membership services revenue includes fees for membership, advertising and events and retail sales. In aggregate, revenues

increased by 7.2 per cent (\$79,072) compared to 2014. Of particular note is an increase in the number of members in 2014, which led to a 4.8 per cent increase in membership fees from \$421,043 (2014) to \$441,188 (2015). Advertising revenue also increased by \$13,848, or 2.5 per cent, from \$545,549 in 2014, to \$559,397 in 2015. Sundry revenues rose by \$42,035 between 2014 and 2015, primarily due to increased member recovery associated with greater member participation in Tourism Victoria organized initiatives. These initiatives include attendance at conferences and trade shows in relation to Business Events Victoria initiatives.

Travel Auction

Twice annually, Tourism Victoria hosts an online travel auction with donations from both members and non-members. In 2015, travel auctions generated \$35,758. That compares to \$34,681 in 2014. The net funds from these activities are primarily put towards membership activities and initiatives.

Reservation and Ticket Commissions

Along with providing guidance and answering questions to increase visitor length of stay, Tourism Victoria sells member's tickets, bus passes, maps and special-event tickets at the Visitor Centre. In 2015, commission revenue from these activities increased by 55.9 per cent or \$63,123 from 2014.

Grants

Grants were received from both the City of Victoria and the District of Saanich in 2015 and the funding was used to support the operation of Tourism Victoria's Visitor Centre. Grant applications are submitted annually and are not guaranteed. In addition, the following municipalities support our organization through their membership: City of Victoria, District of Saanich, District of Oak Bay, Township of Esquimalt, Town of Sidney and City of Langford.

A grant was also received from Destination British Columbia to support the operation of the Visitor Centre. All grant amounts were the same between 2014 and 2015.

EXPENSES

Marketing Services

Marketing Services include activities that promote Greater Victoria as a destination: advertising, media relations, travel trade, meeting and incentive travel, website activities and market research.

Management Financial Analysis

Overall there was a slight (2.5 per cent) decrease in marketing services expenses from \$3,248,317 in 2014 to \$3,167,687 in 2015. The majority of which can be attributed to decreased expenditures associated with DMF revenue.

Expenses increased in 2015 from the 2014 levels for media relations (\$29,099), website activities (\$38,923) and research (\$17,024). Expenditures decreased from 2014 levels for advertising and publications (\$82,142) and meetings and incentive travel (\$81,876). Travel trade expenses were on par between 2014 and 2015 with a slight decrease of \$1,658.

General and Administrative

There was an overall decrease of 5.4 per cent, or \$34,557, in general and administrative expenses between 2014 and 2015. Increases between 2014 and 2015 were noted in professional services (legal, consulting and insurance) in the amount of \$7,521, general travel (including conferences) by \$26,269, and an increase in foreign exchange costs of \$17,981. These increases were offset by an overall decrease in personnel costs of \$102,810, a decrease in communications expenses of \$5,146 and a decrease in interest and other bank charges of \$11,228.

Visitor Information Services

Visitor and Information expenses include all personnel and overhead costs associated with the Visitor Centre. Expenses were noted to increase by 14.1 per cent, or \$88,362, from 2014 to 2015, of which more than 30 per cent is directly attributable to an increase in processing fees directly related to the corresponding increase in reservation and ticket commission sales. Smaller increases in expenses were associated with operating expenses including rent, utilities and communications.

Membership Services

Membership services expenses include all overhead costs associated with personnel who are associated with membership, as well as costs associated with membership events, activities and initiatives. Expenses between 2015 and 2014 were lower by \$54,380 predominantly associated with the reduction in operating expenses (\$12,896) and overhead associated with personnel (\$41,929).

Amortization

Amortization expenses relate to the expensing of assets owned by Tourism Victoria, including furniture, computer equipment, significant marketing collateral and leasehold improvements. Between 2015 and 2014, the expense decreased by 14.2 per cent, primarily due to reduction to zero of some existing assets and not purchasing a significant amount of additional assets in the year.

2015 Board of Directors

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Tourism Victoria
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